

# Presentation to the Joint Legislative Oversight Committee on Health and Human Services

## **Audit of NC Medicaid and DHHS, DMA**

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### **ORIGIN:**

SECTION 10.9A.(a) of the state budget requires the Office of the State Auditor to audit the Department of Health and Human Services, Division of Medical Assistance, and the State Medicaid Program operated within the Department.

### **SCOPE OF WORK:**

Based on language in the budget and discussions with Fiscal Research, the Office of the State Auditor understands that the audit is to answer questions in the following three program areas.

- 1. Administration**
- 2. Projections and Budget**
- 3. Reporting**

Specifically, the audit will answer the following questions:

#### **1. Administration**

- What are the administrative functions at DMA?
- Which administrative functions have been outsourced?
- What resources (people, money, etc.) are dedicated to the administrative functions?

#### **2. Projections and Budget**

- How does DMA ensure that multiyear projections are accurate?
- How does DMA manage the Medicaid program to stay within the budget?

- How does DMA detect problems that would cause the program to go over budget?
- Does DMA submit Medicaid Plan amendments to Center for Medicare and Medicaid Services (CMS) timely?

### **3. Reporting**

- How does DMA collect, distribute, and maintain Medicaid statistical data? (population, eligible recipient participation, service consumption, health outcomes, provider participation, costs)
- Does DMA distribute complete and accurate Medicaid information to the DHHS Secretary, Governor, and General Assembly?

### **DELIVERABLES:**

1. **Preliminary Report** due November 1, 2012 (a preliminary report is defined as a report that is ready for the agency to view but does not include the agency's response to the findings)
2. **Final Report** due February 1, 2013

## State Budget Bill

"SECTION 10.9A.(a) The State Auditor shall conduct a performance audit of the North Carolina Medicaid Program and the Division of Medical Assistance operated within the Department of Health and Human Services. The audit shall examine the program's effectiveness; results of the program; the utilization of outside vendor contracts, including the number, cost, and duration of such contracts; fiscal controls and Medicaid forecasting; and compliance with requirements of the Centers for Medicare and Medicaid Services and the requirements of State law; audit the Department of Health and Human Services, Division of Medical Assistance, and the State Medicaid Program operated within the Department. The audit shall include the State Auditor's examination of at least all of the following:

- (1) The administrative functions and responsibilities of permanent Division staff.
- (2) The administrative functions that are performed either partially or entirely through contracts, cooperative agreements, Memorandums of Understanding (MOUs) with external entities, such as independent contractors, private vendors, universities, county governments, and other State or federal agencies. To identify these administrative functions, the State Auditor shall develop an inventory of all administrative contracts for purchased services, including a brief description of the scope of work, cost, and the period of performance for each contract.
- (3) The amount of funds, staff, and other resources dedicated to the performance of each administrative function of the Division.
- (4) The timeliness and compliance with State and federal mandates when carrying out the functions of the Division, including all of the following:
  - a. The production of accurate, multiyear projections of Medicaid recipient participation, consumption of services, and costs.
  - b. The oversight of the Medicaid program to ensure that program participation by Medicaid eligible recipients, consumption of services, and expenditures are within the budget authorized by the General Assembly for each fiscal year, including early detection of expenditure trends that indicate potential budget shortfalls.
  - c. The timeliness of preparing and submitting Medicaid State Plan amendments to obtain approval from the Centers for Medicare and Medicaid Services to comply with State and federal laws and regulations.

d. The collection, distribution, and maintenance of statistical data and other information on the Medicaid eligible population, eligible recipient participation, consumption of services, Medicaid patient health outcomes, provider participation and related issues, and costs.

e. The timeliness of distribution and the presentation of complete and accurate information with supportive documentation to the Secretary of the Department of Health and Human Services, the Governor's Office, and the General Assembly regarding funding needs and policy issues.

**"SECTION 10.9A.(b)** The State Auditor shall give a preliminary report on the performance audit required by this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by November 1, 2012, and shall complete the performance audit by February 1, 2013.

**"SECTION 10.9A.(c)** Of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, from the General Fund for the 2012-2013 fiscal year to fund contracts, the Department shall transfer to the North Carolina Office of the State Auditor the amount of funds necessary to complete the performance audit required by this section."

## Comparison of State Budget Bill and DHHS RFP

"SECTION 10.9A.(a) The State Auditor shall conduct a performance audit of the North Carolina Medicaid Program and the Division of Medical Assistance operated within the Department of Health and Human Services. The audit shall examine the program's effectiveness; results of the program; the utilization of outside vendor contracts, including the number, cost, and duration of such contracts; fiscal controls and Medicaid forecasting; and compliance with requirements of the Centers for Medicare and Medicaid Services and the requirements of State law; audit the Department of Health and Human Services, Division of Medical Assistance, and the State Medicaid Program operated within the Department. The audit shall include the State Auditor's examination of at least all of the following:

(1) The **administrative functions** and responsibilities of permanent Division staff.

*DHHS RFP 3.2(g) The Vendor shall prepare an analysis of **administrative and organizational structure** in comparison to other health plans of size and scope.*

(2) The **administrative functions** that are performed either partially or entirely through contracts, cooperative agreements, Memorandums of Understanding (MOUs) with external entities, such as independent contractors, private vendors, universities, county governments, and other State or federal agencies. To identify these administrative functions, the State Auditor shall develop an inventory of all administrative contracts for purchased services, including a brief description of the scope of work, cost, and the period of performance for each contract.

*DHHS RFP 3.2(g) The Vendor shall prepare an analysis of **administrative and organizational structure** in comparison to other health plans of size and scope.*

(3) The amount of funds, staff, and other resources dedicated to the performance of each administrative function of the Division.

(4) The timeliness and compliance with State and federal mandates when carrying out the functions of the Division, including all of the following:

a. The production of accurate, multiyear **projections of Medicaid recipient participation, consumption of services, and costs.**

*DHHS RFP 3.2 (f) The Vendor shall review **analytical tools currently utilized to capture costs, cost-savings, and which will assist in supporting budget and programmatic development** and make recommendations for improvement.*

b. The oversight of the Medicaid program to ensure that program participation by Medicaid eligible recipients, consumption of services, and expenditures are within the budget authorized by the General Assembly for each fiscal year, including early detection of expenditure trends that indicate potential budget shortfalls.

c. The timeliness of preparing and submitting Medicaid State Plan amendments to obtain approval from the Centers for Medicare and Medicaid Services to comply with State and federal laws and regulations.

d. **The collection, distribution, and maintenance of statistical data and other information** on the Medicaid eligible population, eligible recipient participation, consumption of services, Medicaid patient health outcomes, provider participation and related issues, and costs.

***DHHS RFP 3.2 (f) The Vendor shall review analytical tools currently utilized to capture costs, cost-savings, and which will assist in supporting budget and programmatic development and make recommendations for improvement.***

e. The timeliness of distribution and the presentation of complete and accurate information with supportive documentation to the Secretary of the Department of Health and Human Services, the Governor's Office, and the General Assembly regarding funding needs and policy issues.

**"SECTION 10.9A.(b) The State Auditor shall give a preliminary report** on the performance audit required by this section to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division **by November 1, 2012**, and shall complete the performance audit by February 1, 2013.

***DHHS RFP 3.2 (h) Deliver a draft of the analysis by no later than November 1, 2012 for DMA review and approval.***